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TRANSCRIPT OF "FILE ON 4" – "*FAIR GAME*"

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THE ATTACHED TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

“FILE ON 4”

Transmission: Tuesday 31st May 2016

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Producer: Emma Forde

Reporter: Allan Urry

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ACTUALITY – CHEERING AT FOOTBALL MATCH

URRY: For soccer fans, all eyes are now on Euro 2016, after the end of the domestic season. The football juggernaut rumbles on, carrying with it the names of sponsors happy to pay a premium to be promoted by the sport. Increasingly, online betting and investment companies want to do deals, but how much do clubs really know about these newcomers, and how well do they check them out?

MAN: If it is seen that a sponsor or commercial partner is engaged in poorly governed activity or unethical activity, then potentially it reflects upon everyone, because clearly we don't want unscrupulous individuals to be at the heart of our football clubs.

URRY: Some investors say they've lost money to companies that became official club partners. So is the football sponsorship industry a fair game?

SIGNATURE TUNE

ACTUALITY AT LEICESTER CITY GROUND

URRY: The story of this, or probably any season in the modern era, belongs to Leicester City. They won the biggest prize in English football. On the 16th May, a quarter of a million lined the streets to cheer the players; pyrotechnics lit up the stage; emotion lit up the city.

ANNOUNCER: Ladies and gentlemen, the Barclays Premier League champions of 2016 – your Leicester City! [Cheers]

URRY: Leicester only returned to the top flight the season before, and joining the more established main sponsors from 2014 was a new partner - an online gambling company called 666Bet.com, running a high profile ad campaign.

EXTRACT FROM ADVERT

PRESENTER: 666Bet.com. Join now for a free £20 play.

URRY: The partnership was covered by the papers and announced with a fanfare by the club.

READER IN STUDIO: We are delighted to present our supporters with an official betting partner that will offer both excellent value and a personal service, with an interest in their club.

URRY: The gambling firm got significant advertising and branding at the club's stadium on match days. They also did a deal with West Bromwich Albion. They described themselves as a young, hungry and ambitious new company, promising to provide lots of special bets and offers on the Foxes' games throughout the season. It attracted interest from punters.

MIKE: I like sport a lot, football especially, and I like a flutter.

URRY: Mike from Flintshire liked the sound of it. He says the association with clubs was reassuring, so he opened a betting account.

MIKE: I think when I first saw the advert, there was a recommendation that 666Bet had been sort of in partnership, a marketing partnership with some big football teams. It makes you think, if they're tied up with Leicester City, they must be a good company to deal with, you know - not some fly by night, a good company.

URRY: As the 2014/15 matches kicked off, Mike placed bets worth hundreds of pounds.

MIKE: There's two kinds of football bets. There's bets on individual matches that take place, say this evening, or there's things like ante-post bets, whereby you're making a selection well in advance of the final finishing date. You're betting early to get a better price on who is going to win that tournament at a much later date.

URRY: His judgment was good, and he was delighted when, just two months away from the final whistle, his projected winnings were up to £8,000. But then there was a problem.

ACTUALITY WITH COMPUTER KEYBOARD

MIKE: I used to log onto my betting account with 666Bet on a daily basis. Went on there one day, which would be March 2015, and it said 'website unavailable' and that's when talk developed in the industry and on various forums that the owner had been arrested.

URRY: The rumours were well founded. A director and six others were questioned by police. Thirteen properties were raided and £1 million in cash was seized in a joint operation led by HMRC, investigating allegations of fraud and money laundering. Those arrested denied any wrongdoing. Months later, with the investigation ongoing, 666Bet's parent company was put into liquidation by a creditor. Punters like Mike were left out of pocket.

URRY: So how much are you owed?

MIKE: Roughly speaking, about £4,000 in total I'm still owed. I was promised the money on numerous occasions, but it never materialised. When you place a wager in good faith on a good looking website, you do tend to think it's a proper betting company where, if you do win, you do get paid out, you know.

URRY: It was bad luck for Mike but how much have the soccer clubs looked into 666Bet? Shortly after deals were struck with Leicester and West Brom, the company behind 666Bet changed hands. It was already registered offshore by the authorities in the Channel Island of Alderney. Following the change of ownership, the Island's regulator carried out assessments of proposed new key officers of the company. On 20th March the following year, the regulator suspended the firm's gambling licence, saying afterwards:

READER IN STUDIO: The grounds relate largely to serious concerns about the existing control and management. It would not have been in the interest of customers to allow it to continue its operations.

URRY: Given the sale to a different company, what questions were the clubs asking about the new owners? Leicester wouldn't be interviewed, but they told us:

READER IN STUDIO: The Club takes a responsible approach to its commercial relationships and ensures all partners have been appropriately vetted as part of its process of due diligence.

URRY: They wouldn't give details about what that vetting consisted of. West Brom wouldn't be interviewed either and also refused to say what checks were done. All they would tell us was that they take care and attention to ensure they select the right partners. For Professor Simon Chadwick, who acts as an advisor and consultant about the business end of soccer, clubs certainly need to have their eyes open, as well as their pockets.

CHADWICK: If you're making a big strategic commitment to one another through a sponsorship partnership, then you need to know about each other. You need to know about the culture, the values, the history, the governance record, the ethical

CHADWICK cont: standards and - this might sound somewhat revolutionary for shirt sponsorship or for football sponsorship more generally - but if you set it in the context of it being a business relationship, this is standard practice for any business and you would normally expect that high profile, very influential organisations that are subject to public scrutiny would normally engage in some form of due diligence.

URRY: What sort of checks are done then?

CHADWICK: In my experience, very few. A sponsor comes and says, 'We will pay you this money.' The club says, 'Okay, in return for that, we will give you the legal right to, for example, put your name on our shirt,' and that's it, that's the end of the deal - it's a transaction.

URRY: Leicester pointed out that 666Bet was regulated by the UK Gambling Commission. And it was, but that only began three months after the football partnership agreements were struck. In November 2014, there'd been a change in the law, requiring the Commission to regulate betting firms selling to customers in the UK, wherever they may be based. But the Commission had to do its own checks on this company and all the other ones it now had responsibility for. And while that went on, a temporary licence was granted, allowing 666Bet to continue trading. But the Commission's Director of Enforcement, Richard Watson, says the football authorities were put on alert.

WATSON: Under new regulations, we were compelled to grant them with a temporary licence while we carried out a formal assessment of their suitability as an operator. We did write to sports governing bodies prior to the change in law and informed them of the change of arrangements, and we did highlight to them that any sports club could check on our website to see if an operator is licensed by ourselves, and it really is a focus for them to manage their commercial risks.

URRY: But you can see why the clubs might have been somewhat unsighted, because you've given these people a temporary licence and, you know, from a consumer's point of view it's not entirely satisfactory, is it, that months can go by whilst they're still trading in the UK and when you didn't really know what you're dealing with here.

WATSON: This is a slightly different circumstance from the circumstances that were pertained today. We were required to pick up a number of people under the transitional arrangements and had to do their due diligence at the same time. Now for instance, if a brand new operator approached us, we would complete all these checks before they could transact with any GB consumer. But there will have been a process for the football clubs, but as I say, they do have to manage that commercial risk. They're making a decision who they partner with.

URRY: The checks still hadn't been completed four months later when the arrests were made. Following that, the UK Gambling Commission withdrew the temporary licence. The Premier League confirmed to File on 4 that it had passed on the Commission's warnings to clubs, but we don't know whether the clubs acted upon them. More than a year on, a report from the liquidator seen by File on 4 paints a bleak picture. Creditors are still owed £1.2 million, and the report states there are no significant assets left from the business. The UK Gambling Commission said many of the punters did get money back, but they couldn't confirm how much or whether people got the full amount. And for that there was some sympathy from West Bromwich Albion.

READER IN STUDIO: We are disappointed to hear sports fans have been affected by the poor practice of one of our former partners. In six consecutive seasons in the Premier League, the acquisition of new partners has been in excess of thirty and this is the first instance of one not performing to the levels we expect as a club.

URRY: Whilst this might not happen very often, how difficult is it to manage and monitor commercial arrangements in football? Professor Simon Chadwick, who's a soccer business consultant, says because clubs spend so much on the field, they are under increasing pressure to raise more money off it.

CHADWICK: I'm thinking specifically here of player remuneration costs and player acquisition costs, so even for the Manchester Uniteds and Arsenals and Chelseas of the world, whatever they're able to generate in terms of commercial revenues, very often there are huge demands on those revenues from the players that are signed and that we all go to watch.

URRY: But hang on a minute, don't many of these clubs have plenty of money? They're global brands.

CHADWICK: Certainly if you talk to commercial staff, they're really up against it. They're very often target driven, they have to generate revenue. In many cases, this is short term because they operate on a season to season cycle, so inevitably fans don't want success in five years' time, they want success next season, and so there are always huge demands to sign the best players, to achieve the best league position, which in turn has an impact on revenue generation, which in turn has an impact upon sponsorship revenue, generating targets, but also the speed with which sometimes I think clubs accept sponsorship deals from various prospective partners.

URRY: These days, clubs have a whole squad of minor sponsors as well as a principal one. Money changes hands, but commercial secrecy means it's hard to know how much. And while clubs are hungry for revenue, there are new arrivals in the sponsorship marketplace, keen to do deals. Simon Rines runs a sports marketing company, advising sponsors and rights holders to help put those deals together.

RINES: One thing that you notice is sort of cycles of new industries coming into sponsorship. You know, traditionally it's been financial services, the car companies and whatever, but there's more and more people looking for sponsors and new industries have come in and started marketing and competing against each other. Airlines is quite a big recent one, energy, betting companies and, more recently, foreign exchange has become a big area. So these new companies are desperate to get brand awareness, because it's all they have really. They need to put their names out there in front of people, otherwise they're not going to succeed, so sponsorship is a very cost effective way of doing that.

ARCHIVE - LIVERPOOL LOSE EUROPA CUP

URRY: Thousands of Liverpool fans at the Echo Arena on the 18th May, watching their side score the opener in the Europa league final.

ACTUALITY OF CHEERS

URRY: There was little for Reds fans to cheer about in the second half of the match, and their team lost 3 –1. Liverpool have a proud history, but in recent years, sustained success has eluded them. Defeat to Sevilla in this season’s final is another reminder of the pressure from fans to achieve more.

FAN 1: Brilliant first half performance. Should have had the game sewn up really. Couple of decisions went the wrong way, but second half, they were the better team.

FAN 2: First half, you know, we were on top, we should have taken our chances. Second half, we just didn’t turn up, to be honest with you.

URRY: So, last September, when the club signed a one year deal with a firm which describes itself as a multi award winning company and home to the 21st century investor, it must have looked quite promising for supporters. At the time, Liverpool talked it up:

READER IN STUDIO: We’re delighted to welcome Banc De Binary as our official binary options partner in Europe, Canada, Australia and South Africa. We’re excited about the year ahead, and as a Club we feel a great affinity with the drive and ambition reflected by Banc De Binary.

URRY: The company trades in binary options. You could be forgiven for wondering what that is.

BERRY: Binary options are basically investments for people to literally bet whether or not an underlying security like a stock or even a commodity like gold is going to go up or down in price, sometimes it can be within the next 30 seconds or a minute.

URRY: John Berry works in Los Angeles for the Securities and Exchange Commission. The SEC is one of America’s financial regulators. Mr Berry knows a lot about Banc De Binary because, as an SEC senior lawyer, he led a team that took successful legal action against them. Court documents show they’d been selling securities to

URRY cont: investors in the US between 2010 and 2013. But they weren't registered to do so, a serious breach of regulations. In March, the SEC announced the case had been settled, with Banc De Binary agreeing to hand over more than \$11 million in payback and fines. And, according to John Berry, they also misled some of those to whom they were selling.

BERRY: We presented evidence to the court that Banc De Binary was telling US-based investors that Banc De Binary was actually based on Wall Street, and we had evidence of online chat discussions where a Banc De Binary broker would tell a US investor, 'Hey, I live, you know, right down the street from Wall Street, I've got a Wall Street address, I work there,' and so they had repeatedly lied to US-based customers about being in the United States and being based in the United States with a US address on Wall Street and a New York based phone number. Eventually they admitted to having done that, they claimed it was a mistake to have made those misrepresentations about where they were located and where their brokers were.

URRY: It's Cyprus where the company is registered and regulated. We asked Banc De Binary to be interviewed, but they refused. In a statement, they described the dispute with the SEC as a legacy issue:

READER IN STUDIO: It was fully settled on the basis that there is no admission or denial of liability. All issues related to this dispute are now fully resolved.

URRY: They also told us they were committed to investing in customer care and compliance functions, developing them over the last three years. Did Liverpool check any of this out? It certainly wasn't hidden from view. The SEC, along with another regulator, filed their complaint two years before the club agreed the deal.

BERRY: There are two US regulators who had brought a suit that were public suits of the SEC and the Commodity Futures Trading Commission, the CFTC. Whenever we bring an enforcement action, we issue a press release, and so that would have been public as well. The CFTC does something similar. But also the Banc De Binary website itself acknowledged that they had been sued by the SEC and the CFTC.

URRY: That was in 2013, two years before they became partners with Liverpool. No one from the club would be interviewed. Neither would they comment, save to tell us contracts were commercially sensitive. Banc De Binary told us they are the first fully regulated binary options platform and the first to receive an EU licence. But what does that actually mean for fans or other consumers in the UK?

ACTUALITY WITH COMPUTER

URRY: I'm on the internet and I'm just going to the site of the UK regulator, the Financial Conduct Authority and to its formal register. And already I can see from it that Banc De Binary appears there. But here's a notice which says it's actually regulated in another European area, so what is it doing on this register? It's pretty confusing straightaway. And then a bit more searching around the website and you find that it says the FCA doesn't actually regulate binary options at all. It looks like that ball's been kicked over to the UK Gambling Commission. But again, only if the equipment used by the company is located in Great Britain. If it's not, the Commission don't have any jurisdiction and the Commission therefore don't regulate Banc De Binary. So all that's looking like an own goal for UK regulation. The Treasury is now in the game with complex arrangements aimed to bring binary options under FCA control at some point in the future. But pity the poor customer trying to work that lot out.

We should point out that Banc De Binary have not been convicted of fraud, or other crime. We can say the company are registered and regulated, but in Cyprus, not here. Under EU rules, however, they're allowed to trade in the UK. For investment expert, Justin Urquhart Stewart, the lack of UK regulatory oversight needs sorting out.

STEWART: Sadly at the moment, we're in a position where the regulators are always trying to play catch up with the various areas of financial services and money industry. Just merely trying to regulate the banks and their related areas has been difficult enough, but then of course the gambling area, which unfortunately is still regarded as a sort of a separate area, separately looked after. That, I think, now needs to be operated under the same area, so that people can actually say that the grey area between the two is being managed.

URRY: No matter how well it's qualified, if it is on an FCA register, doesn't that give investors the impression that it's the FCA who regulate?

STEWART: I would certainly agree, therefore all the more reason for someone to be actually protecting the fans of the club. It's not just the club that's going to be affected and the brand of the club, it's also their fans - which is after all the primary reason that they're there.

URRY: So when fraud is suspected in other cases, how well protected are those fans and other investors?

ACTUALITY AT CHELSEA

URRY: Just a short walk to the left as you get out of the Fulham Broadway tube, you come to Stamford Bridge, the home of Chelsea Football Club, and here it is right in front of me now, a very impressive stadium as you'd expect for one of the biggest names in English soccer. But what you also see, even here just standing outside, is the importance and the prominence that sponsors get. I'm just looking at billboards on either side, all decked out in blue and white, and I can see they're an official partner - an airline - and the billboard has some players in their kit, along with airline staff. For the most part what you can see are not the main sponsors' names, these are what they call official partners. And one of those official partners was a company called CWM FX. For a while, CWM's star burned very brightly. They quickly became known for their sports sponsorship deals, last January marking the start of an agreement until 2018, when Chelsea branded them their official online forex partner - a reference to their foreign exchange business. Elsewhere, high profile motorsport deals were forged. The London Boat Show carried their name. All this and a swanky office location, too.

HARRIS: So here we are on Leadenhall, which is very well known as being the centre of the City basically. You've got Lloyds of London here with all the funny pipes on the outside. Right opposite it you have the Cheese Grater

URRY: Julian Harris is the deputy editor of the City A.M. newspaper, based in the Square Mile. He took us to where CWM ran their affairs, high up in one of the area's most prestigious buildings.

HARRIS: Well, the Heron Tower went up a few years ago. At the top there's a bar called Sushi Samba, which is very trendy

URRY: This is prime office space really.

HARRIS: This really is prime office space, yeah. You can see the lifts going up ...

URRY: Among the products CWM FX offered to its customers were managed funds, a kind of interest account. The return was around 5% a month. In the current investment climate, that sounds too good to be true. On 3rd March last year, police moved in on CWM.

HARRIS: We were tipped off that this raid was happening and we had people in the Heron Tower watching it unfold actually. It lasted all day, I believe, hours and hours. There were a large number of police in the office and they had to obviously cooperate and hand over documents which were seized.

URRY: So the whole tower was agog then, watching this, was it?

HARRIS: Absolutely, yeah. With the way that Heron Tower is constructed, I think people can actually see from other offices as well, and yeah, as you can imagine, caused quite a stir.

URRY: There were thirteen arrests, another followed at a later date. All were questioned and released on police bail. No one's been charged. By February this year, City of London Police were describing what they were investigating as a 'suspected Ponzi scheme'. That's a type of fraud in which an organisation pays earlier backers returns from new capital which has come in from fresh investors, rather than from real profit. It

URRY cont: keeps running for a while, paying out to make it look as though it's working, but eventually dries up. Police say investors deposited £50 million during this alleged fraud.

ACTUALITY ON TUBE

RECORDED VOICE: Please mind the gap between the train and the platform.

URRY: From the Square Mile to the Golden Mile, and the tightknit Nepalese Gurkha neighbourhood in Hounslow ,where police believe there could be hundreds of potential victims.

GURUNG: I'm a councillor and former deputy mayor of London Borough of Hounslow as well as I was the founder and the chairman of the Gurkha Nepalese community for ten years.

URRY: Bishnu Bahadur Gurung has become the person to whom some have turned when mourning their losses.

GURUNG: One family, when they joined in this scheme, then they started spreading within their family and then friends, connections, then that's how they get the clients together, then put the money together.

URRY: It's word of mouth?

GURUNG: Indeed yes, and they thought that it's going to be very profitable, so that's why they were advertising within their connections of family and friends and the Nepalese community.

URRY: So they're putting their life savings into this in some cases, aren't they, all the money they have?

GURUNG: Yes indeed, because you know the Gurkhas, they work very hard and they earn most of the money themselves, they save a lot, they keep for the future. I think at least in one family they have invested in this around £20,000 to £40,000.

URRY: That's money they are unlikely to get back. Through documents at Companies House, File on 4 tried to contact two of the key figures at CWM FX, but we heard nothing back. Those who've been arrested have previously denied any wrongdoing. The police investigation is continuing. Chelsea are another club which weren't prepared to tell us anything at all about the deal with CWM. It's been previously reported that they tore up the contract shortly after the police raid. But as with other cases we've looked at, there were warning signs that proper checks could have picked up. Ten months before the deal was announced, the FCA regulator issued a warning that a company was targeting people in the UK, trying to provide products or financial services without authorisation. A director of that company went on to become a key figure at CWM FX. Investment expert, Justin Urquhart Stewart, says that should have been a major red flag for Chelsea.

STEWART: Well frankly that is astonishing, because if you're carrying out any simple due diligence, that is exactly what you want to find out - what is the situation with the company and its reputation and with its directors, and a simple investigation with the regulatory body to find out actually had anyone been censored in any way would soon tell you. And if that did come up, then that would be a very serious alarm bell for anybody actually wishing to establish a relationship with that business.

URRY: If Chelsea had checked out this company, what are the things they would have been likely to have bumped into?

STEWART: Well first of all, you'd actually look at the strength of the company itself. You'd actually then check, do they have a good reputation? Are they properly regulated? And let's have a look at their finances as well. Now this is not pedant-like behaviour, this is proper validation to make sure that you're establishing a financial partnership with a sponsor in a responsible way for my club brand, for the value of my business and also for my fans.

URRY: We don't know the value of the Chelsea deal, but we wondered if the club had set aside or handed any money back, given there's a possibility it might be the proceeds of crime, which could have left Gurkhas and others out of pocket to the tune of £50 million. But again they refused to comment. So if it's the case that clubs aren't diligent enough, should the football authorities be doing more? The FA told us they didn't really get involved unless they were approached for advice and guidance. It was a matter for clubs. The Premier League said much the same. And that doesn't impress Justin Urquhart Stewart.

STEWART: I'm afraid it does fall down sometimes to the regulators of the sport itself to actually move away from just their responsibility of football and actually look at the behaviour of the clubs themselves, what they're involved in, because if they're bringing the rest of the sport into disrepute and therefore its overall sport regulator should take action.

URRY: But the FA's been telling us that the commercial deals themselves are really down to the clubs.

STEWART: I would suggest, as the body authorising partly regulating this environment, that they have a responsibility to tell all clubs to be very careful indeed as to the partnerships that they should be arranging and the sponsorships they should be arranging and what basic due diligence they should be carrying out.

URRY: The FA wouldn't be interviewed, but they don't seem to have any formal guidance or code of conduct for clubs on this. What they do have is other checks to try protect the integrity of the sport. There's an official FA test for those seeking to become club directors. So how well does that work?

EXTRACT FROM INTERVIEW

GUERRIERO: I'm looking to really look to the future and the future is Oxford City and it's so promising and so bright and I'm so excited.

URRY: Meet Thomas Anthony Guerriero. He's a 39 year old American who had established a big reputation for himself as a financial trader and highly successful multi-millionaire entrepreneur. A self-styled Wolf on Wall Street.

MUSIC

URRY: In 2013, the entrepreneur bought a 49% stake in Oxford City FC - a small community club of semi- professionals.

ACTUALITY OF GOAL

COMMENTATOR: flicked up towards Coulson, he takes a dig from a distance Back of the net, a 30 yard wonder strike from Luke Coulson, who runs away to take the plaudits.

URRY: But he didn't come with a particularly good reputation - something which was put to him in March of that year by our colleagues at BBC Radio Oxford.

EXTRACT FROM RADIO OXFORD INTERVIEW

PRESENTER: For Oxford City fans who have seen allegations, allegations as we're putting it, of things like pyramid schemes and things like this, can you reassure them that you are an honest man?

GUERRIERO: Well obviously you're talking to somebody that has been vetted constantly on every single level from being an owner of professional sports teams to running federally regulated investment firms. You know, people can gossip and people can say whatever they want to say, that's just the position you're in when you're young, successful and wealthy and you have people that are gunning for you. It doesn't bother me at all. I come from the most cut throat business in the world, Wall Street. I don't pay any mind or any attention because it's not profitable. I only do things that are profitable and I put myself in a position where passion is going to lead me to the promised land. I feel very strongly that that is Oxford City.

PRESENTER: Yeah, so just to be clear, you've never been involved in a pyramid scam ever?

GUERRIERO: Of course not. This is all nonsense.

URRY: Actually it wasn't. Earlier this month, Thomas Guerriero was jailed for twelve and half years by a judge in Florida. He'd ripped off investors in America in a scam worth \$6.5 million.

ACTUALITY WITH PAPERWORK

URRY: I'm just looking at the SEC documents from the States which tell us what he was up to. The charges to which he pleaded guilty were all related to the Florida-based Oxford City, which he'd set up as a company. The name Oxford City was the foundation for the fraud, and of course it impresses some on the other side of the Atlantic. So from this he falsely inflated his business worth, claiming to have 'the largest publicly traded diversified portfolio of professional sports teams in the world' – and I quote. It sounds impressive, but in fact he was making no profit out of the actual club, and losing millions of dollars in the company. He pressured and bullied investors into parting with millions by setting up what's known as a boiler room operation to con them with hard sell promises of special deals on stocks in his portfolio, claiming they were worth hundreds of millions of dollars, when in fact they were all but worthless.

File on 4 sent reporter Sarah Chakales to the court in Florida to listen to the judge passing sentence.

CHAKALES: The overall sentencing took about an hour and a half to complete. Some of the testimonies were quite emotional, with the victims crying on the witness stand and, you know, making an emotional appeal about the amount of money that they've lost, how it's affected their lives now, you know, how they planned 30, 40 years working and saving for retirement and now it's all been lost.

URRY: She also spoke with some outside the courtroom.

CAGLIERI: My name is Wanda Caglieri. I'm 80 years old. He called me on the phone and told me he could make me a million dollars and I should invest with him, and he had the Oxford City Football Club and it was millions of dollars' worth of stuff. He kept hounding me and hounding me, so then I had a heart attack. So when I got out of the hospital he still kept calling me, so that next spring I ended up giving him \$250,000.

MAN: He approached me on the phone. He was very adamant about I should buy 100,000 shares and I didn't want to do that, but he convinced me, stating at one time or another he had put \$35 million in the company, he had all this ownership of all this stuff and I thought, well, there's got to be assets there, and that's how I got hooked into it.

CHAKALES: One woman, a victim named Angela, who broke down into tears on the stand while testifying, she said that Guerriero at one point actually threatened to cut her son's head off and also gave her death threats as well if she didn't give him the money that he wanted.

URRY: But back in England, Oxford City Chairman, Brian Cox didn't remember him that way.

COX: I'd been out with him several times on our own, just me and him, and had a great time with him and found him a very, very nice man. I've got to hold my hand up and say, you know.

URRY: What was it that impressed you about him?

COX: Probably his honest, open approach, to be fair. I mean, you judge people on what you see, don't you, and you find, and I mean, we knew in a way he had a bit of a reputation and I did actually have one or two calls from America saying, 'You don't want to deal with this man, he's a hard man,' and all this business.

URRY: But what did they tell you about him?

COX: Well just that really, that, you know, don't trust him.

URRY: So, given those warnings, what was done to check him out before City decided to accept him on to the board?

When business deals are done, usually there's a process called due diligence, isn't there, where you check out who you're getting into business with

COX: Yes, and that has to be done by the FA. Anyone that becomes a director of a club has to pass that due diligence.

URRY: So did this club do any?

COX: Yes, we've all had to do it.

URRY: So what did you do?

COX: Well, the test was done on him and he passed.

URRY: So what sort of test was it?

COX: They just look into the background of the person and see if there's anything in there that can prove that he shouldn't be a director of a football club.

URRY: So just so as I'm clear, was it the club here that did the due diligence or was it the governing body?

COX: It's the FA, isn't it? The stuff is sent to the FA about him and they look into it, they do their own process.

URRY: What were the checks which the FA did on Thomas Guerriero, the man with a questionable reputation even before he became a club director? How did he pass their test? The FA wouldn't tell us. Instead a statement said it's down to the applicants themselves to reveal if they meet the right conditions.

READER IN STUDIO: Applicants are required to self- certify that they comply with disqualifying conditions. Sample checks are done on the significant number of application forms we receive. We can only prevent individuals acting as an owner or director when there is a clear breach of conditions. The FA does not and cannot prevent individuals from acting where they have suspicions of accusations alleged against them.

URRY: So the club thought the FA were checking him out. But the FA's test leaves it to the applicant himself to declare any wrongdoing or reasons why he may not qualify. And that certainly didn't stop conman Thomas Guerriero from taking a 49% stake in Oxford City and using its name to commit a large scale fraud in America. The sponsorship deals we've featured in this programme were announced in a fanfare of publicity by the clubs when they were signed, but it's all gone very quiet now. None of the clubs, nor anyone from the football authorities would speak about them to File on 4. For Professor Simon Chadwick, there's still some way to go before the sport can demonstrate the professionalism needed to ensure those accepted as club partners are all above board.

CHADWICK: What we've seen over the last ten years is the practices of football clubs starting to change, so you will see that clubs now are more professional in marketing themselves, they are more professional in managing their resources. But I think in terms of governance, we need to start seeing clubs become more professional in the way they go about their business too. If you take a club based in a city and that club is the focal point of the local community, it's a representation of the people and their identity, then if it is seen that a sponsor or a commercial partner is engaged in poorly governed activity or unethical activity, then potentially it reflects upon everyone, because clearly we don't want unscrupulous individuals to be at the heart of our football clubs.

SIGNATURE TUNE